

TAX RATES

A. Tax Rate Ceiling

School districts must establish a number of calculations and tax rates at budget time and file the rates with the State Auditor's Office (SAO) and the respective county clerks before September 1. Often confusing for a school district is where to begin and what rates are to be calculated at which time and in which order. A glossary of tax related terminology and an ordered calculation sequence is provided at the end of this document.

A school district must always begin with what is referred to as its tax rate ceiling. This is the maximum rate for *operating* funds (all funds but the Debt Service Fund) that a school district may levy. It is required to be calculated on the State Auditor's Office (SAO) forms. The forms outline the calculations that are made to be in compliance with Article X, Section 22, of the Missouri Constitution (Hancock limit) and with Section 137.073, RSMo, (Statutory limit). The lower of these two calculations becomes the tax rate ceiling for operating funds for the current year for SAO records.

B. Debt Service Fund

Another calculation is made on the SAO Form C to determine the maximum allowed by the local school district to provide revenues for the Debt Service Fund. This calculation takes into account a reasonable reserve, recognizing the timing of payments required for the Debt Service Fund and the timing of actual tax revenue distribution.

C. State Auditor's Office Approval

Since the legislative session each year ends at 6 p.m. on the first Friday after the second Monday in May, forms from the State Auditor's Office (SAO) are mailed to school districts in June. The SAO sends both the substantiating data for tax rate calculations' form, which the SAO uses to produce the *quid pro quo form*, and the entire blank set of forms for the school district to do its own calculations. The Consumer Price Index (CPI) is not known until June since the rate for the year is certified by the State Tax Commission on the April-to-April (12 month) cycle.

The county assessor has until May 31 each year to establish the assessed valuation of property in the county. Following the closing of the assessor's books on May 31, the information is turned over to the county clerk to notify political subdivisions (including school districts) of the types and amounts of assessed valuation in the county.

In order for the school district or the SAO to complete the calculation of the tax rate ceiling for operating funds, the school district needs the following data (from the identified sources):

1. locally assessed real property for the prior year and for the current year (county clerk);
2. locally assessed personal property for the prior year and for the current year (county clerk);
3. total locally assessed valuation for the prior year and for the current year (county clerk);
4. assessed valuation of new construction and improvements for real property only (county clerk);
5. assessed valuation of property in newly added territory (county clerk);
6. assessed valuation of property in newly separated territory (county clerk);
7. assessed valuation of property locally assessed in the prior year, but state assessed in the current year (county clerk);
8. maximum prior year revenue from state assessed property before sales tax reduction (estimate from School Finance Section, Missouri Department of Elementary and Secondary Education (Department)); and
9. estimated current year revenue from state assessed property before sales tax reduction (estimate by the school district in collaboration with other school districts in the county).

After the school district has completed the necessary forms for the State Auditor's Office, the forms are sent to the county clerks to be forwarded to the SAO for review. Once the forms have been approved, the SAO sends a written letter to the respective county clerks for the school district and the county clerks in turn forward a copy of the letter to the school district. The approved tax rate ceiling (operations) is used by the school district as its beginning point for setting its levy and calculating its Proposition C (sales tax) rollback (if any)

D. **Voluntary Rollback**

As a result of the Attorney General's Opinion #79-88, dated March 31, 1988, regarding voluntary rollbacks, a school district that levies a tax rate below its tax rate ceiling (maximum for operations) may return to the tax rate ceiling the following year without voter approval, provided no changes have occurred in its tax rate ceiling. This means that the school district uses the tax rate ceiling for operations in calculating its prior year's revenue for rollback purposes on the SAO forms. Any school district seeking an increase in its tax rate ceiling or any tax levy increase through the Proposition C waiver for inclusion on the tax books for the current calendar (tax) year must vote the issue before September 1 of that same year.

A school district should determine its Proposition C rollback (if any) and then decide if any voluntary rollback is desired. Voluntary rollbacks are subtracted from the tax rate ceiling first and then Proposition C rollback is subtracted when completing the final levy forms: **Estimate of Required Local Taxes** submitted to the county clerk(s) and **District Tax Data** in the August Cycle Core Data Collection submitted to the Department of Elementary and Secondary Education (DESE).

E. **Proposition C Rollback**

The purpose for this procedure is to establish the adjusted property tax rate for school purposes to compensate for the sales tax revenue generated by Proposition C (Section 164.013, RSMo). This calculation should be performed by the school district official using the **District Tax Reduction Worksheet** according to the instructions attached.

F. **Estimate of Required Local Taxes**

The **Estimate of Required Local Taxes** establishes the tax rate by fund to be extended onto the tax books for the calendar year. One form is sent to each county clerk where a school district has assessed valuation in a county. The form must be filed on or before September 1 each year in order for a school district to have a tax levy for that fiscal year. In addition to other summary information filed on the form for the county, the unadjusted and adjusted levies by fund are reported on the form. The unadjusted levy is the tax rate ceiling minus any voluntary rollback plus the debt service levy minus any voluntary rollback. The adjusted levy is the levy after Proposition C rollback has been made (in the appropriate school purposes funds) plus the debt service levy.

G. **District Tax Data**

The **District Tax Data** is collected on Screens 6 and 6A for the August Core Data Collection Cycle. The information is used by the School Finance Section to calculate the school district's current year apportionment of Basic Formula and Line 14 (Free & Reduced Lunch) monies and to check for Proposition C rollback compliance. Screen 6 should reflect the same unadjusted and adjusted levies by fund as filed with the county clerk(s) on the **Estimate of Required Local Taxes**. In the appropriate areas of Screen 6, the tax rate ceiling and debt service fund maximum as approved by the State Auditor's Office should be entered. Voluntary rollbacks for operations and for the Debt Service Fund are also recorded. In addition, pertinent information used by the school district in its Proposition C rollback will be included on the screen.

Effective August 28, 1993 and beginning with the 1994-95 school year, a school district with an adjusted levy of less than \$2.75 was not eligible to receive additional increases in state aid above the amounts it received in 1992-93 under provisions of The Outstanding Schools Act (1993). Effective with the 1997-98 school year, a district whose operating tax rate ceiling was reduced below \$2.75 is required to levy that reduced amount but is still eligible to increases in state aid.

Each year instructions in the **Core Data Collection System Manual** should be read carefully before completing the form. As legislative changes from the prior spring may affect data collected, new information regarding collections will be explained in the instructions. The assessed valuation of real and personal property by county on Screen 6A should reflect the assessed valuation used by the school district at the time it calculated its SAO ceiling and Proposition C rollback.

Tax Rate Terminology

The following tax levy terms are listed in the order they should be calculated by the district for the Operating Funds and the Debt Service Fund:

Operating Funds

- 1) State Auditor's Office Operating (Funds - IF, TF, CPF) Ceiling
- 2) Voluntary Rollback in Operating Funds (IF, TF, CPF)
- 3) Unadjusted Levy for Operating Funds (IF, TF, CPF)
- 4) Proposition C rollback for *Incidental &/or Teachers* Funds
- 5) Adjusted Levy for Operating Funds (IF, TF, CPF)

Debt Service Fund

- 1) Debt Service Fund Ceiling
- 2) Voluntary Rollback in Debt Service Fund
- 3) Unadjusted Levy for Debt Service Fund
- 4) Adjusted Levy for Debt Service Fund
(*Unadjusted and Adjusted Debt Service Fund levies are the same.*)

All of these rates are calculated annually by the school district and are established prior to September 1 each year. During the following June, the State Auditor's Office reviews the levies set by districts and may revise the SAO Operating and/or Debt Service Fund ceilings for that fiscal year based on calculated revenues from state assessed railroad and utilities (SARRU) using the actual levies for the fiscal year. **These revised SAO ceilings for the fiscal year only impact the setting of the next fiscal year's ceilings and should not be used by a school district to go back and change all of its records and filings regarding its SAO Operating Ceiling for the current fiscal year.**

Tax Levy Definitions

District's levy - Refers to the tax levy extended onto the tax books and assessed to the taxpayers for a school district, and includes the rate for all funds including the Debt Service Fund.

Operating Levy - Levy for *all* funds of the district *except* the Debt Service Fund. Sometimes referred to as the Adjusted Operating Levy, the levy actually extended onto the tax books, or the tax rate that actually generated tax revenue for the school district. ("Fund 1" should be referred to as the "Incidental Fund", *not* the operating fund.)

School Purposes Levy - Adjusted levy (levy extended onto the tax books after Prop C rollback) *for Incidental and Teachers Funds only.*

Debt Service Levy - Levy for the Debt Service Fund only.

1993 Incidental and Teachers Funds Adjusted Levy - Sum of 1993 Incidental and Teachers Funds adjusted levy.

Current State Auditor's Office (SAO) Operating Ceiling - Maximum amount for operating funds (Incidental, Teachers and Capital Projects Funds) approved by the State Auditor's Office (SAO) for the current year. This is the amount the district could levy before completing Proposition C rollback plus any recoupment levy approved by the SAO or any temporary additional operating levy approved by the voters.

Current State Auditor's Office (SAO) Debt Service Ceiling - Maximum amount for Debt Service Fund approved by the State Auditor's Office (SAO) for the current year. This is the amount the district could levy plus any recoupment levy approved by the SAO.

Voluntary Rollback for Operations - Amount of tax rate ceiling that district does not intend to levy for current year in the operating funds (Incidental, Teachers and Capital Projects Funds). The voluntary rollback is subtracted from the Current State Auditor's Office (SAO) Operating Ceiling and the resulting levy is the Unadjusted Tax Rate for Operations. The amount of voluntary rollback is determined by the district's board of education.

Voluntary Rollback for Debt Service - Amount of Debt Service Fund levy that the district does not intend to levy for current year. The voluntary rollback is subtracted from the Current State Auditor's Office (SAO) Debt Service Ceiling and the resulting levy is the Unadjusted Debt Service Fund Levy. (The Unadjusted and Adjusted Debt Service Fund Levies are always the same. No Proposition C rollback may be applied to the Debt Service Fund.)

Unadjusted Tax Rate for Operations - Amount of tax levy in the operating funds (Incidental, Teachers and Capital Projects Funds) minus a voluntary rollback (if any) but before Proposition C rollback. If a district has a full waiver of Proposition C, then the *unadjusted and the adjusted levies will always be the same*.

Unadjusted Tax Rate Debt Service - Amount of tax levy in Debt Service Fund after voluntary rollback. The Unadjusted Debt Service Fund levy will be the same as the Adjusted Debt Service Fund levy and is the actual levy on which taxes are collected for Debt Service Fund.

Proposition C (Prop C or School District Trust Fund) Rollback - Calculated amount (stated in pennies) which is required to be subtracted from the school purposes (IF,TF) unadjusted tax levy. Subtracting the Proposition C rollback from the unadjusted tax levy results in the adjusted tax levy.

Interrupting the Proposition C rollback - When taking the full Proposition C rollback pushes the adjusted operating levy for school purposes (IF, TF) below the minimum levy of \$2.75, the district cannot take the full amount of the Proposition C rollback and must “interrupt” the rollback, setting the adjusted operating levy at \$2.75. If the district’s ceiling is already below \$2.75, then the district must levy its ceiling.

Adjusted Tax Rate for Operations - Levy for operating funds (Incidental, Teachers, and Capital Projects Funds) after completing the Prop C rollback. This is calculated by subtracting the Proposition C rollback from the unadjusted levy. This is the operating levy extended on the tax books for the operating funds.